

## **Innovative Product Grant Application Overview: ANSWERS TO FREQUENTLY ASKED QUESTIONS**

### **Who can apply for the IPG program?**

Applicants should include any party or partnership that has a product or service with application in homeland security and a dual use in another commercial sector. If the party is prepared to commercialize, produce or improve their product in Illinois they may be eligible for the grant program if they:

- Can demonstrate employment growth or retention in the state of Illinois as a direct result of the receipt of grant funds.
- Can demonstrate 'proof-of-concept' requirements
- Can demonstrate the firm/partnership is in the later stages of developing or commercializing a technology or service, proprietary product, process, material, and/or design.
- Have a component that is ready to be integrated into another product.
- Can demonstrate the product would/will be produced in the State of Illinois. In the case of a service it must be provided from an Illinois location.
- Have a viable business model and sustainable market base.
- Are a firm/partnership that demonstrates its product or service is sufficiently innovative enough to provide a competitive advantage in the marketplace and have the potential for significant growth and employment

### **Is the IPG targeted to specific technologies or services?**

DCEO will review applications for any product that has an application in homeland security, a dual use in a secondary market and viable business model. However, the IPG is intended to help accelerate development or production of solutions to specific homeland security needs in areas including, but not limited to;

- Aviation, rail, mass transit or highway security
- Infrastructure monitoring and protection
- Border and port security
- ID tracking and monitoring (biometrics, smartcards, RFID)
- Water and food safety
- Chemical and biological detection
- Secure communications
- Nuclear incidence detection and radiation dispersal devices

Those solutions should also have a dual-purpose impact on industries related, but not limited to:

- Life sciences, biotechnology, medical devices
- Advanced materials and manufacturing technology
- Agro and Food Service technologies
- Information technology
- Telecommunications
- Nanotechnology
- Energy technology
- Transportation and logistics

### **Are there minimum or maximum grant awards?**

The minimum award is \$10,000; the maximum award is \$150,000. Innovative Product Grant awards require a dollar-for-dollar **Private Capital Match** from the applicant.

**What does the “dollar-for-dollar match” mean?**

IPG awards require a dollar-for-dollar **Private Capital Match** from the applicant. That means that every dollar of IPG funds you receive has to be matched by some form of private capital investment. Sources for matching funds include, but are not limited to, commercial financial institutions, personal or partner investments and angel or venture investments. Each application must contain proof of a private capital match demonstrating a direct link to the development or deployment of the product for which the IPG is being sought. Your application should include a brief written summary of the match, its source(s) and when they were secured.

**Can funds secured from other public sources satisfy the “dollar-for-dollar” capital match requirement? No.**

**What is the Leveraged Dollars Award (LDA)?**

IPG applicants may be eligible for a **Leveraged Dollars Award (LDA)** if the applicant can demonstrate that receipt of the IPG leverages additional funding from other public or philanthropic sources. The amount of the LDA is equivalent to up to 20 percent of the dollar amount leveraged (example: if the Innovative Product Grant leverages \$100,000 in Small Business Innovation Research awards then the LDA shall equal \$20,000). The LDA does not require a separate application – your application for the IPG, plus verification of receipt of public funds will allow for a determination of award. The maximum LDA award is \$50,000.

**Is there a deadline for my application?**

IPG applications will be accepted throughout the fiscal year from individual firms, partnerships or joint ventures. Awards are contingent upon the availability of State General Revenue Funds appropriated and released for the purposes authorized by this program.

**Who reviews the applications and makes grant funding decisions?**

DCEO’s Homeland Security Market Development Bureau receives all applications. The Director of DCEO shall determine the level of the grant award. DCEO reserves the right to determine all eligible/ineligible uses of grant funds.

**What if the IPG application is for a new product or technology?**

Applicants must submit documentation demonstrating **Proof of Concept** as part of grant proposal submission. Proof of concept does not require a mass produced product, but does mean the product is substantially ‘ready for market.’ Proof of concept could include, but is not limited to, previous receipt of investment from a recognized source such as Phase II SBIR/STTR, evidence of existing customer relationships, a firm commitment from customers to purchase the product or a qualified referral by one of the following organizations:

- The Homeland Security Innovation & Entrepreneurship Center at Northwestern University
- The Illinois Coalition or Related Entities
- The Illinois Terrorism Task Force Science and Technology Committee
- Others, as deemed appropriate by DCEO

If the application requires an opportunity to demonstrate Proof of Concept, HSMD will arrange for an audience with another qualified body.

**I am applying for an IPG grant that will support the development of a string of products making up one product line. Is this acceptable under IPG rules?**

Yes. The key goal of the IPG program is job creation. The development of a product line is an acceptable use of IPG funds. However, the application has to clearly demonstrate how many jobs will result from the development of the entire line and also identify known or potential users or buyers of the entire product line. Each part of the product line has to help justify the grant award.

**What if my application involves proprietary information or trade secrets?**

All intellectual property rights, including any patents, copyrights, trademarks and trade secrets developed by the funding recipient with use of funds invested by IPG, will be owned by the recipient.

**What is the Homeland Security Market Development Bureau?**

DCEO's Homeland Security Market Development (HSMD) Bureau is focused on attracting and supporting business engaged in the homeland security industry. HSMD offers incentive, finance and grant programs designed to attract your business to Illinois, expand your existing operations or identify market opportunities. **Learn more about HSMD at: [hsmd.il.gov](http://hsmd.il.gov)**

**Key Definitions:**

**Direct Employment:** The number of jobs created as a result of having received an IPG program grant.

**Retained Employment:** The number of jobs maintained or preserved as a result of having received an IPG program grant.

**Private Capital Match:** An IPG grant recipients fully demonstrated, private capital investment that equals the value of the IPG grant. Sources for matching funds include, but are not limited to, commercial financial institutions, personal or partner investments and angel or venture investments.

**Development Stage:** Any stage of product development from prototype development and testing through the stage of established and steady market sales - this is the product development stage at which IPG program funds can be awarded and utilized. IPG funds are intended to help a company complete a milestone project that will directly help catalyze the production or application of a product or service, and generate economic activity within the State of Illinois. The scope of project(s) includes, but is not limited to:

- Prototype development or production
- Scalable implementation
- Near term deployment and others, as presented

IPG investments are not intended for research purposes or to fund research projects, provide general operating capital, or support sales/marketing activities. IPG funds are not intended or to prove the validity of a technology or service. They are intended to accelerate development and production of homeland security products. IPG funds may not be used for administrative purposes (e.g. management salaries, legal costs) but may be used to hire technical staff. The funds may be used to engage third-party consultants and professional service providers to complete the requested project.

**Who can I contact for more information?**

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## ANSWERS TO FREQUENTLY ASKED LEGAL QUESTIONS

1. What type of evidential matter do you want to support the detailed explanation of the source and timing of the private capital match? For example: Do you want copies of Bank Statements? Copies of Stock Subscription Agreements? Etc. Or do you merely want us to provide the details with the evidential support provided upon request? **Response:** Please provide a written summary of the details of your private capital match and photocopies of key, essential financial records that verify the match.
2. A private group has expressed interest in investing into our firm, what kind of collateral is required to in order to demonstrate this investment? (i.e., would a letter to/from the manager of that LLC be sufficient?) **Response:** A letter of intent is acceptable so long as the level of investment is clearly indicated and this investment is directly linked to the development of the product for which the IPG is being sought.
3. Our firm has a need for developers and the firm could get maximum value from the grant dollars by leveraging consultants here in Illinois. Is this ok? **Response:** Technical consultants are an eligible use of IPG dollars, so long as their efforts are directly linked to the development of the product for which the IPG is being sought. However, the use of consultants can not be counted toward the projections of employment growth that will result from the receipt of the IPG.
4. Are we allowed to use funds for travel costs as related to developing customers and delivery partners? **Response:** IPG funds cannot be used for marketing, sales or advertising costs.
5. We are also looking at acquiring some technology that will enhance parts of our offering, and I would like to know if funds can be routed to that as well? **Response:** IPG funds can be used to enhance the functionality of the product for which the IPG is being sought. If this can be demonstrated for the acquisition in question then it is allowable use of grant funds.
6. On Page 5, under Section II. Some of our go-to-market strategy is proprietary intellectual property. Is it possible that other parties could access this information from DCEO via a freedom of information request? **Response:** Information marked as confidential that is part of business incentive proposal to DCEO is generally protected from a FOIA request via the trade secrets exemption.
7. On Page 6, under LDA. Do private investment funds qualify for this additional award? **Response:** The LDA is intended to leverage other public resources. Private investment is not counted toward the calculation of the LDA. An application for the LDA can only consider public funds already awarded to the applicant and directly linked to the development of the product for which the IPG is being sought. However, if the applicant can demonstrate at the time of application that receipt of the IPG will attract other public resources those resources can be factored into the LDA. Documentation from the public sources indicating intent to award must be included with the IPG application.
8. Is correct to say to that documentation of expenditures is required only for IPG funds rather than all company expenditures? **Response:** Reporting requirements are set forth in the grant agreement with all awardees. However, DCEO reserves the right to request all financial information as it deems necessary for monitoring the performance of the grant.
9. Our firm has a virtual organizational model, and as such do not require staff and consultants to come to any particular office. How does this affect the requirement to comply with Americans with Disabilities Act, if at all? (i.e., people can work from home) **Response:** It does not. By signing and sending in the application, the applicant acknowledges its compliance with the ADA, if and when required to do so under the law.

10. Our firm is debt-free and we hope to stay that way, we prefer not to go outside for private capital. Can we budget company funds to match any dollars we obtain from this program? If this is not an option, can you provide details on any other ways we could meet the matching requirement? **Response:** Company funds can be used to match the IPG grant if they were if they satisfy the following conditions:

- I. Those dollars have been derived from a private source – personal capital, angel investment or firm resources.
- II. The dollars proposed for the match are directly linked to the development or improvement of a product.
- III. Employment growth or retention results from the award of the IPG resources.
- IV. Public sources or in-kind contributions can not be counted toward the match.